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THE FINANCE COMMITTEE,

COMMITTEE-ROOM, Jan. 3, 1842.

To the Hon. K. L. ANDERSON,

Speaker of the House of Representatives:

The Committee on Finance, having given to the various bills and resolutions concerning the interesting subjects submitted to their deliberation the most attentive consideration, have directed me to make the following report:—

Deeply impressed with the conviction, that in order to obtain any beneficial results from legislative enactments concerning the fiscal affairs of the Government, it is first indispensably necessary that a sound and wholesome currency should be provided as the medium by which the desired ends may be attained, the Committee on a former occasion exhibited to the House some of the reasons which induced them to recommend the entire abrogation of the Texas Promissory Notes as a currency and the adoption of gold and silver as the only objects which can perform the offices of money, or furnish to a country a proper circulating medium. The arguments and reasons which justified that recommendation appear to the Committee so cogent and irresistible that they might deem it superfluous to seek to sustain it by additional considerations, and might proceed to the further development of their views upon other interesting subjects coming within the scope of their investigations, upon the assumption that the House of Representa-

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tives will, on a similar examination, come to the same conclusion, that gold and silver shall hereafter be the only currency of the people, and the only money recognized by the laws of the land.

That a change of policy upon a subject so universally interesting as that of finance by a Government is calculated to be injurious in its operation on individual cases, and to be deleterious in its influences upon some of the interests of the social economy, cannot be denied. The abandonment of an old, or the adoption of a new system of policy by a Government, must always be attended with some injurious consequences to some of the subjects of such Government—some individual interests must be sacrificed and some portion of the community must be injured. No law of general operation can be framed with such exquisite skill as to operate alike with equal justice on all. Were law-makers to refrain from enacting a law until they should be able to frame such as would operate upon all the various and ramified interests of community in like manner and with similar consequences, they would delay, not only until they themselves obtained to perfect intelligence of all the manifold interests of society, but until all the wants, wishes, situations, interests, characters, pursuits and objects of every member of society itself were the same. To object to a law because from its operations some injurious consequences will result to some interests of the community, does not indicate a satisfactory apprehension of the imperfection of all human institutions, and the fallibility of all human capacity, for no ingenuity can devise a law or a system of policy in which ingenuity cannot detect faults, and experience develope errors. The greatest good of the greatest number is a wise maxim of political economy, and he who aims at more will lament the disappointment of his hopes. He murmurs at God who complains of the imperfections of man.

The amount of gold and silver now in the country is confined to a small amount indeed,—none, in fact,—for all purposes of financial calculation. And it is one of the most objectionable features of the system of currency sought to be abrogated that it necessarily forced all the good money from the country.—It is the inevitable consequence of a vitiated currency to expel a good one from the sphere within which it exists, and as unavoidably overruns the country where it is permitted, as weeds overrun and destroy the fruits of a field unattended by the husbandman's care. So long as a depreciated currency is admitted, gold and silver will be driven from general circulation. And this mischievous evil of a system is urged as an argument for the continuance of that system. It is represented that the tax-payers

cannot obtain a sufficient amount of the medium of payment to raise the revenue assessed upon their taxable property, because there is not a sufficient quantity of that medium in the country, and hence an enormous oppression will befall the people, and the Government be disappointed in obtaining revenue necessary for its support. This argument would, perhaps, have the greater weight if the objector would establish the fact that there now is, or at any one time has ever been, a sufficient amount of Texas Promissory Notes in circulation in the country to have paid the direct taxes assessed to the Government. So far has this from being the case, that it is a notorious fact that the citizens of this country have been continually compelled to purchase the Texas money in New-Orleans which has been necessary to discharge the dues coming to the Government.

But in order to obviate the difficulty as far as possible, and to remove the objection that is urged, the Committee recommend the two following propositions, viz. —

First,—That the fiscal year shall commence on the first of April ensuing, and expire on the thirty-first of March, 1843 ;

Secondly,—That a new issue of a different kind of bills be made, which, for the sake of distinction, is denominated **Exchequer Bills**, to an amount which will not exceed the revenue of the fiscal year, 1842.

The advantage of the first proposition is, that a longer time will be extended to the tax-payer to adapt himself to this change of things, and to make arrangements to meet the dues which will be owing to the Government ; and a still greater benefit is, that the payment of taxes will occur at a period when the product of the year's labor has been disposed of in market and when the returns of industry are in the hands of the producers. The citizen will be the more able to meet the tax-gatherer when the productions of the year have been secured and the money obtained thereon. The planter, farmer and the other productive classes will have an opportunity thereby to make arrangements in the disposition of their several products to obtain the proper medium of payment necessary to discharge the small pittance exacted from them by their Government ; and the result will be that the proceeds of the next year's labor will return to the country in a great degree in the shape of gold and silver.

The Committee have ventured the second recommendation after much hesitation and difficulty. The experience we have had of the utter incapacity of creating money by issuing bills upon the faith of the Government simply, without any adequate fund for their redemption, has taught them a lesson they would

not willingly be unmindful of. The failure which has already occurred, of a similar system, is calculated to impair any confidence in the success of this, and to render hazardous and doubtful any experiment of a character similar to the one now exploded. The measure should not be resorted to except in cases of necessity, but that necessity, it is believed, now exists. Means must be provided for the support of Government during the present year; a compensation must be paid to the officers of the civil list, and a temporary currency or substitute for money, furnished to the citizens during the *interregnum* which will occur between the explosion of the old and the introduction of a new system.— And to effect all this, no resource is left but to resort to the measure herewith recommended. Our Treasury is entirely empty, our public domain unavailable, and confidence in our public credit so utterly shaken and impaired, that money cannot be obtained on a loan to any amount on any terms, and we are forced to draw bills of credit, predicated on the certain revenues of the present year.

But there are some considerations which are calculated to give this new issue a higher and more permanent value; to place it on a different footing, and to remove it from some of the strongest objections urged against the Promissory Notes. A new era is introduced in our monetary affairs, the old system is exploded and new principles of economy adopted and a new policy pursued.— While at the same time we endeavor to relieve ourselves from the onerous and pressing demands of our previous engagements, an attempt is also made to enable us, at some future time, strictly to comply with those engagements, and to provide a mode for the final and ultimate payment of the public debt to the uttermost farthing. If we show to the world a faithful statement of our monied affairs, and provide ample means for the future discharge of all claims against the Government, we will demonstrate that the postponement of the payment of these liabilities to some future day did not arise from a disposition to evade their responsibility, or to impair or destroy the obligation of the contracts heretofore entered into; but that it is the result of a necessity arising from a state of things over which we have no control, and but limited power to alleviate. The public creditor, while he sees a full exposition of our limited resources, and every possible encouragement compatible with our present condition, given to their further development; while he sees every object of property or enjoyment taxed for the maintenance of Government, and the Government itself administered in a manner consistent with the utmost frugality; while he perceives that the principles of economical

reform has been introduced into every department of the social system, in short, when he finds that every exertion is necessary for the present existence of the Government, and that the postponement of previously contracted engagements is only temporary, while every obligation is fully recognized and their validity admitted, will be constrained to allow that the measures proposed are recommended by principles of honesty, prudence and sound policy. The world will perceive that Congress has acted with a full knowledge of all the circumstances of the situation of the country and that it is willing to submit the wisdom of its action to the judgment of impartial candor. The old liabilities of the Government are deferred for a time only to give ampler means for their payment from the increased population of the country and the progressive development of its resources. And this load being removed for the present, a new state of things is commenced and a different system adopted. And if the lessons of experience do not speak for nothing with us, it will not be easy to induce the country again to run into errors so ruinous, and from which it is so difficult to be extricated. If there is any remaining confidence in the integrity, honor and justice of the people of Texas or their governors, this confidence is likely to be increased by the candid exposition we have made of our circumstances and the obvious policy to say nothing of the necessity of the measures that are adopted. And whatever may be the existing or increased confidence in the character or responsibility of Texas obligations, it will all be available to support the value of the new issue proposed to be made and to protect it from that extreme depreciation which has characterized the previous responsibilities of the Government.

Again, these Treasury Drafts are not intended as a permanent system to be incorporated with the financial policy of the country, nor are they designed to furnish a currency as a substitute or an equivalent for gold and silver. The measure is only resorted to as a financial resource to provide the means for the support of Government during its transition from a vitiated to a sound currency, and are intended to be used for this purpose only during the time of this transition. When this office is performed they have effected the purpose designed. They are not used for the purpose of providing a currency. It is true, that while they are outstanding they will perform for that time the offices of a currency. And this quality gives an additional recommendation to their employment, for being distributed in a nearly equal degree through every section of the country, and being used for all governmental purposes as the only substitute for gold and silver,

they will, in the payment of all dues to the Government, have a value equal to gold and silver, and their limited amount and the short period of time during which they are to run will cause them to pass in the ordinary transactions between man and man, at a value but little below the constitutional standard. By directing that they shall be cancelled on their return to the Treasury, or by prohibiting their re-issue, a guaranty will be furnished that it is the permanent policy of the Government not to resort to them as the means of furnishing a currency to the country, and will further protect the Government itself from an expenditure of the public money beyond that which is authorized by law. The incidental advantage that they will act for a short period as money is calculated to afford considerable relief to the citizens, by furnishing them with a substitute for a season, calculated to supply the want of gold and silver, and is further suggested as a satisfactory answer to the strongest objection urged against the expediency of resorting to a better system of currency than that which now exists, while the prohibition to their re-issue is calculated to sustain them at their nominal value until by the operation of time and circumstances they are all returned into the Treasury.

It is proposed to issue these bills as drafts against a proximate and accruing revenue; and ample care should be taken that the amount issued should not exceed the certain revenues of the year. In fact, good policy requires that the amount should fall considerably short of the fund against which it is drawn. One of the most serious causes of the depreciation of the Promissory Notes was that no fund was provided or contemplated in the policy for their redemption, and a much greater amount was annually issued than the annual revenue of the country. If the issue of these Exchequer Bills is confined to a sum much below the known and well-ascertained income of the Government, by the expiration of the fiscal year 1842, not only will they have been all absorbed in the payment of taxes and other dues, but there will also be an amount of gold and silver in the Treasury at the expiration of that period equal to the difference between the amount so issued and the revenues of the year.

The knowledge of these facts will serve as a substantial indication of the settled policy of the country, will restore in some degree confidence in the public credit, and will make these Bills, for most of the purposes of money, a full equivalent of that for which they are a temporary substitute. The amount to be issued should not exceed \$150,000, and when it is known that the revenues coming into the Treasury will exceed that amount, and that in the course of a year the Bills will all be redeemed at the

custom-houses and by the tax-gatherers, and when a further provision is inserted that all the Bills outstanding at the end of the fiscal year will be paid in gold or silver on presentation at the Treasury, it is but fair to infer that their value in the beginning of the year will not fall more than ten per cent. below the standard, and that a continual enhancement of value will progress with the lapse of the time, at the termination of which all are to be paid.

If succeeding Legislatures adhere to the policy suggested, it is believed that its adoption will be co-eval with the return of prosperity to the country and the dawn of a better day for Texas.— During the first twelve-month of its operation it is admitted that it will be, in some degree, oppressive; but the rich harvest of future benefit will more than compensate for any temporary inconvenience or privation it may create.

The Committee recommend the continuation of duties on imports with some modifications of the existing laws. The arguments for continuing the tariff are so obvious as to be perceived by suggesting the subject, and so well understood that a statement of them would be but idle repetition. The revenues from this source are more certain, the cost of collecting much less, the difficulty of evading them much greater, and the payment is easier for the citizen, than is presented in any other mode for the raising of public revenue. The merchant always makes the best tax-gatherer.

The main object which has governed the Committee in their reflections are the modifications which they will submit, is to obtain the greatest amount of revenue. They have kept their eye single to this object and have endeavored to attain it with undeviating purpose. It is believed that after all the objects of taxation have been exhausted, but little more money will be returned into the Treasury than is necessary for the support of Government. The only proper object, then, sought to be obtained, in the view of the Committee, in the allotment of taxes, and the imposition of duties, is, the increase of the financial resources of the country. We are happily not in a situation to enter upon a long-contested and still unsettled discussion upon the relative merits of a free trade and a protective policy; neither are we prepared, as yet, to enter upon the still more interesting and delicate enquiry of what class of productive industry need governmental encouragement, and what does not. These questions are remote from our circumstances. The attention of the Committee has been solely directed to the examination of the most feasible plans calculated to render the revenues of the Government equal to its necessary demands, in a manner the most easy and the

least burthensome to the citizen. If any incidental advantage in the way of protection or encouragement to any particular employment of industry, results from their recommendations, so much the better; but such results were not sought for to the detriments of the more interesting *desideratum*,—increase of revenue. And in the prosecution of this purpose, the Committee have been compelled to be regardless of the nice distinctions between articles denominated necessities and those termed luxuries, as furnishing objects of taxation. Whatever is deemed most available for the purpose contemplated, whether luxury or necessary, is pressed into the service with indiscriminating impartiality.

Increase of duties does not necessarily produce an increase of revenue; nor do high duties always yield a large income. If duties on importations were progressively increased, under ordinary circumstances, they would ultimately attain to the point, which would amount to a prohibition through all the gradual stages of diminution. In the adjustment of a tariff for revenue alone, the principle which should govern, is, the ascertaining of that point at which the highest rate of duty would begin to effect a diminution of importation, and consequently of revenue.—Or, to express it in a different manner, to adopt the highest rate of duty which is compatible with the greatest amount of importation. If the importations continue the same and the duties are increased, the revenue is likewise increased;—if the duties continue the same and the imposts are increased, the revenues are likewise increased in that proportion; but if the duties are increased to an extent which will in any considerable degree diminish the importations, its influence upon the revenues will begin at that point to be deleterious, and if carried to the extent, prohibition—as a financial measure, it will be suicidal.

To illustrate this principle, let the article of hats, or ready-made clothing, be proposed as the object subject to an exorbitant tax. If a duty of fifty or one hundred per cent. was laid on these articles, it would amount to almost an entire prohibition. It is true, the domestic manufacture of these articles would be encouraged and would increase in the country, but of what value would this be for the purpose of revenue? Of none, unless an excise duty were laid upon their manufacture, and these articles which now furnish a considerable amount to the Treasury, would be entirely cut off as a source of revenue to the Government. To ascertain, then, what would be the duty that should be laid upon hats and ready-made clothing, so as to secure the greatest amount of revenue to the Government, it would be proper at first to enquire what is the extent of the demand for them, the facility with which

they could be manufactured in the country, and what the highest tax which would still allow the foreign article full and fair competition with the domestic.

Adopting this principle, the Committee have fixed upon fifteen per cent. as the average *ad valorem* duty upon all articles of commerce imported into the country. Specific duties are laid in some cases from considerations which come within the scope of the reasoning above suggested.

Some reduction in the direct and license tax is proposed. This mode of taxation is generally deemed more burthensome and more vexatious than that which is laid by duties on imports.— And ample weight has been given to this consideration in the reflections on this subject, and should materially influence the policy to be adopted. Upon all the productive property of the country as low a tax is levied as, perhaps, can be found in any country. This is done upon the consideration that the owners of this species of property are generally the largest consumers of the importations, and contribute in a large degree to the revenues derived from indirect taxation.

A planter, owning a league of land, with fifty negroes, a hundred and twenty-five head of cattle, and all other articles necessary for conducting the business of a well-established plantation, the whole of which property would not be valued at less than \$60,000, will, according to the rate of tax suggested, have to pay for the support of Government an annual tax of not more than \$85, or an *ad valorem* tax of not quite one-sixth of one per cent.

Upon some articles, such as watches, carriages, &c., a higher tax is laid, inasmuch as such property is usually found to belong to the wealthy and those more capable of bearing the burthens of Government. The duty upon licenses belongs to the class of indirect taxes, inasmuch as it is a consideration paid for the privileges of pursuing some trade or calling, or the being engaged in some business, the advantages of which offer an ample compensation for the tax so paid. In some cases, as the house for vending ardent spirits, &c., it is merely a tax upon consumption, as much as an impost duty; consequently, it is politic to continue it at as high a rate as it will bear.

Of all the objects of taxation, land yields the lowest amount of revenue in proportion to its value. The landed property of the Republic, whether public or private, is the most unavailable of all of its resources. The public domain cannot be brought into market with any hopes of raising money from its sale. Large quantities of land are held by private individuals which is taxed at a rate not at all commensurate with its intrinsic value, and

the owners of which frequently fail to pay the small sum at which it is assessed. Much of this land is held by foreign citizens and speculators, who contribute little or nothing for the support of Government in any other way, and who have no particularly meritorious claims upon the Government for its forbearance.—Policy would prevent the accumulation of large tracts of lands in the hands of individuals or companies of men; and where this has been the case, the levying a moderate tax would not only yield additional revenue, but would lead to the necessity that the large land-holder should dispose of a part to pay for the rest. The objection,—that the land so owned has been purchased on a speculation, that the speculator has exhausted his means in these purchases and that he should not be taxed until the land has been profitably disposed of, is surely not entitled to much weight. Every chance of speculation or hope of profit is as much a subject of taxation as property itself. The merchant is made to pay a duty on his goods before his profits are made. An Insurance Company will pay a large price for the opportunity of venturing in the speculation on insurances; and a Banking Company will give a large bonus for the exercise of its privileges and the hope of gain therefrom before a single dollar is made. Why, then, should the land-speculator be exempt from the payment of any consideration for the chances of speculation which the circumstances of the country have afforded him, and be permitted to gloat in untaxed idleness over the prospects of his future profits until he grows fat upon the accumulations of his successful speculations, while all the elements of productive industry, which contribute to the wealth of the nation, pay an adequate remuneration for the advantages they enjoy? The rate of tax upon landed property adopted by the Committee has been made more in conformity to what is believed to be the disposition of the House than in accordance with any sound maxims of political expediency.

The attention of the Committee has been specially and anxiously addressed to the enquiries—

First,—Whether the permanent revenue is adequate to the expenses of the Government?

Secondly,—Whether any measures are necessary or would be advantageous to increase the revenue, and if so, what measures should be adopted?

First.—It is the opinion of the Committee that the revenue which will be received during the fiscal year 1842 is adequate to the expenses of the Government. From the information obtained from the Commissioner of the Revenue it appears that the gross

amount of the receipts from the several collectoral districts for the collection of impost duties for the year ending first Nov., 1841, was \$324,237, which, at an average rate of duty of forty-five per cent., would show the importation of taxable goods to amount to \$720,526. This amount, at an *ad valorem* duty of fifteen per cent., would yield \$108,078; deducting the expenses of collection, the revenue from this source would amount to \$95,000.—To this should be added the probable increase of importation during the present year, which may with propriety be estimated at twenty per cent.; making the revenues from customs \$113,000. Judging from the returns in the Treasury Department for the year 1840, (those of the year 1841 not being complete), the gross amount of receipts from direct taxes would, at the rates now proposed, amount to \$35,000, from which is to be subtracted ten per cent. for expenses of collection, and ten per cent. added for probable amount of increase and value of taxable property.

Second,—But it is believed that measures may be adopted to increase the revenues. If a custom-house were established on Red River, at some point near to that which the boundary line touches that river, for the purpose of collecting a duty on the goods imported into the eastern section from New-Orleans, and some adequate provision made for the collection of duties on the line between the counties of Harrison and Panola and the United States, a considerable addition would be made thereby to the fiscal resources of the country. Heretofore the eastern section of Texas, by far the most populous and wealthy, have paid in at the custom-houses but a bare sufficiency to compensate the officers engaged in their collection. It is represented, and believed, that this failure on the part of the citizens does not arise from any disposition to defraud the revenue, but is a consequence simply of the Government having made no adequate provision for its protection suitable to the circumstances of that portion of the country. A bill contemplating this object is herewith reported.

The Committee recommend the laying of a tonnage duty, of one dollar per ton, on all foreign vessels trading to our ports, and a duty of twenty-five cents per ton upon all domestic vessels trading between foreign and home ports. This has always been considered not only a legitimate but a favorite system of taxation, and it is presumed that it would have been resorted to much earlier by the financial policy of the country, had it not been supposed that some provision in the treaty with the United States presented a solid objection to it. Whatever may have been the force of that objection, it will cease on the expiration of the treaty, which

take place on the 19th May, 1843; and we shall be fully and unhesitatingly to adopt the policy as one of the highest importance.

From the data furnished by the various custom-houses for the year 1840, and allowing for the probable amount of increase, it is probable that the tonnage of vessels entering our ports during the present year will be 1,000,000. At a dollar a ton this will yield an additional revenue of \$50,000. This sum will be deducted from the profits of the vessels, and will be contributed mainly by the ship-owner. Hitherto, from the high rate of freight to this country, large and extraordinary profits have been made by those engaged in that trade; but competition is now increasing, and in consequence of that competition, it is thought that no additional charge to the shipper will follow the imposition of this new duty.

It is further proposed to lay an additional duty of five per cent. upon all goods imported into the country upon foreign bottoms, with the exception of goods imported in foreign vessels which are entitled by treaty or by acts of Congress to be entered on the payment of the domestic duty. The policy of this recommendation needs no illustration.

By laying a small tax on all suits that are begun in the District Courts, payment of which should be made previous to the commencement of the suit, a fund may be raised sufficient to pay the salaries of the Judges. Heretofore a tax cost of ten dollars has been allowed in all suits, to be paid on the determination of the case by the unsuccessful litigant to the lawyer of the successful party. By a law of the present session, that cost has been abolished, and it is now suggested, as an appropriate fund for supporting the judiciary, foreigners and others, who resort to our courts of justice, can with propriety contribute a pittance to defray the charges of supporting those tribunals which administer the justice they seek.

It is advisable to make some alterations in the law so as to provide for the better and more certain collection of the revenues, and to prevent and detect frauds thereon. To effect the first named purpose, it is deemed expedient to have the collectors of the direct taxes appointed by the President, and to hold their offices at the President's will. The returns in the Treasury Department demonstrate the entire uncertainty of the collection through the sheriffs. These officers are too immediately dependent upon the people to authorize the belief that they would be faithful and vigilant in the performance of any duty generally obnoxious or disagreeable to the people at whose hands they hold their offices and

by whose suffrages they expect their re-appointment; and as taxes are deemed the hardest and most onerous of all debts, their payment is frequently sought to be evaded by every device which promises to secure its avoidance. This too great sensibility of the collecting officer to the popular feeling makes him at times more regardful of the interest, wishes or convenience of his electors, than faithful in the performance of his duties or mindful of the wants of the Government. Were the collector to hold his office from the President, and be removable at his pleasure, vigilance and fidelity in duty would be prompted by a due consideration of the wishes and obedience to the direction of the power to which he is accountable.

The assessors should hold their office for a greater length than they do at present, in order that they may have ample time to obtain exact and satisfactory information concerning the value and amount of taxable property in their several counties, and to be able to ferret out property that is sought to evade the payment of the tax.

For protection to the customs, it should be required that a consular certificate should accompany the invoice of every consignment. The law of last session repealing the law of the session previous, rendering a certificate necessary, was impolitic. As a measure of protection to the revenue, it is in some degree indispensable, and should be restored on the score of economy; as, with its use, several officers in the custom-house may be dispensed, whose services are now necessary.

If the plan above recommended, for the increase and protection of the revenue be adopted, and if the information which has been received from the Treasury Department concerning the sources of revenue and objects of taxation be correct, the revenues for the fiscal year 1842 may be thus stated:—

From Customs,	\$113,000
“ Direct Taxes,	85,000
“ Licenses,	20,000
“ Tonnage,	50,000
“ Tax on Suits,	10,000
“ Other sources of revenue,	10,000
Making in all,	<u>\$288,000</u>

What will be the necessary appropriations for the present year, it is impossible at this time to determine, as the disposition of Congress towards the naval and military establishments is un-

known The civil list appropriations will be something as follows

For pay of Heads of Departments, Clerks, contingent expenses, Judiciary, Ministers, &c ,	\$71,580
Pay and milage to Members of Congress and the pay of Clerks, stationery and other contingent expenses,	60,000
To fill certain appropriations of the present session,	5,000
Amounting to	<u>\$136,580</u>

Leaving a balance in the Treasury at the end of the year, of \$101,420

It may be proper, however, to suggest, that considerable errors may have entered into the calculation, which time will develop, as the data upon which the computation is made is by no means satisfactory or complete. The Committee have availed themselves of the best information which circumstances would permit, and their calculations have been made strictly in reference thereto.

In a former report, the Committee took occasion to assert that they felt the injunction to make an adequate provision for the payment of the public debt resting upon them with the solemnity of a constitutional obligation. This responsibility is increased upon a fuller and more attentive consideration of the innumerable mischiefs which would result from a disregard of the maxims which tend to support national credit and to sustain national honor. To exhibit the reasons which justify the solicitude of the Committee on the subject would be but to enumerate the evils which would result from the destruction of all confidence between individuals as members of the same social system; for, in the history of nations as well as individuals, experience has established the truth of the maxim, that honesty is the best policy. Obligations solemnly entered into by a people should not be impaired; their faith, solemnly pledged, should not be violated, unless under circumstances of extremest necessity, and when this necessity is obvious and apparent to all those who are effected by its operation; whenever the exigency arises which justify a departure from strictest faith, care should be taken that the departure should go no farther than the necessity; and the first moment of returning ability should be seized hold of to repair or remedy the injuries which the deviation has inflicted.

“While the observance of good faith is recommended by the strongest inducements of political expediency, it is enforced by considerations of still higher authority. There are arguments for it which rest on the immutable principles of moral obligation;

and in proportion as the mind is disposed to contemplate in the order of Providence an intimate connexion between public virtue and public happiness will be its repugnancy to a violation of those principles.

This reflection derives additional strength from the nature of the public debt ; it was the price of liberty. The faith of the country has been frequently pledged for it, and with solemnities which give peculiar force to the obligations. There is indeed reason to regret that it has not hitherto been kept ; that the necessities of the country, conspiring with inexperience in the subjects of finance, produced direct infractions, and that there has been exhibited on the subject a continual scene of negative violation and non-compliance

It is to be hoped that this state of things is about to terminate, and that the present Congress will secure to themselves the lasting gratitude of their country by making such a disposition of the public debt as will secure public confidence and give faith to the national character.

This subject has been referred to a special committee and their deliberations had thereon, and happily your Committee is discharged from the duty of making any recommendations upon a matter of such exacting importance, and surrounded with so much difficulty. To sustain the national honor ; to redeem the national faith ; to uphold public credit ; to gain character and confidence abroad ; to win respect at home, and to vindicate the cause of free government, are some of the great and important ends involved in this deliberation. Whatever may be the policy adopted by the House, the Committee may be allowed to express their ardent desires to lend every endeavor to sustain any measure which will be conducive to a successful determination of a matter involving such momentous consequences.

With the expression of this opinion, the Committee will close their review of the important matters submitted to their consideration. The House will duly appreciate the difficulties under which the Committee have acted, and will give due deliberation to the subjects discussed. Were ampler time allowed for further examination into the subject matter of their deliberations, new facts might be developed which would lead to new, and additional views and opinions ; but succeeding legislatures will correct the errors and supply the want of information of those which preceded them, until, in the progress of time, the prosperity of Texas will be co-extensive with its natural resources, and its capacity to furnish enjoyment and gratification to the refined wants of civilized man.

TOD ROBINSON, *Chairman.*